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THE FEDERAL INCOME TAX LAW.

Regulations of the United States Treasury Department Regarding the Deduction of the Income Tax at the Source on Interest Maturing on Bonds, Notes and Other Similar Obligations of Corporations, Joint Stock Companies, or Associations and Insurance Companies, under the Provisions of Section II of the Act of October 3, 1913.

TAX TO BE DEDUCTED AT SOURCE.

Under the Income Tax Law, enacted October 3, 1913, a tax of one per cent., designated in the law as the *normal* tax, shall be deducted at "the source," beginning November 1, 1913, on all income accruing and payable to: (a) Every citizen of the United States, whether residing at home or abroad, and to (b) Every person residing in the United States, though not a citizen thereof, which may be derived from interest upon bonds and mortgages, or deeds of trust, or other similar obligations, including equipment trust agreements and receivers' certificates of corporations, joint stock companies or associations and insurance companies, although such interest does not amount to three thousand dollars, excepting only the interest upon the obligations of the United States or its possessions, or a State or any political subdivision thereof.

The term "Debtor," as hereinafter used, shall be construed to cover all corporations, joint stock companies, or associations and insurance companies.

WHEN TAX SHALL BE WITHHELD BY DEBTOR.

For the purpose of collecting this tax on all coupons and registered interest, originating, or payable, in the United States the source shall be the Debtor (or its paying agent in the United States) which shall deduct the tax when same is to be withheld, and no other bank, trust company, banking firm, or individual taking coupons or interest orders for collection, or otherwise, shall withhold the tax thereon; *provided* that all such coupons, or orders, for registered interest, are accompanied by certificates

of ownership signed by the owners of the bonds upon which the interest matured. These certificates shall be in the forms hereinafter prescribed and a separate certificate shall be made out by each owner of bonds for the coupons or interest orders for each separate issue of bonds or obligations of each Debtor.

WHEN TAX SHALL BE WITHHELD BY FIRST COLLECTING
AGENCY.

If, however, the coupons or interest order are not accompanied by certificates as prescribed above, the first bank, trust company, banking firm or individual or collecting agency receiving the coupons or interest orders for collection, or otherwise, shall deduct and withhold the tax and shall attach to such coupons or interest orders its own certificate, giving the name and address of the owner of, or the person presenting such coupons or interest orders, if the owner is not known, with a description of the coupons or interest orders, also setting forth the fact that they are withholding the tax upon them; whereupon the Debtor shall not again withhold the tax on said coupons or interest orders, but in lieu thereof shall deliver to the Government the certificate of such bank, trust company, etc., which is withholding such tax money.

Any corporation, collecting agency, or person first receiving from the owner any interest coupons or orders for the collection of registered interest, and to whom the certificates above provided for are delivered, should require the persons tendering such coupons or orders for registered interest to satisfactorily establish their identity.

PAYMENT OF REGISTERED INTEREST BY DEBTORS.

A Debtor, whose bonds may be registered, both as to principal and interest, shall deduct the normal tax of one per cent. from the accruing interest on all bonds before sending out checks for said interest to registered owners or before paying such interest upon interest orders signed by the registered holders of said bonds until there shall be filed with said Debtor, or its fiscal agent (and not later than thirty (30) days prior to March 1st), through whom said interest is customarily paid, the proper cer-

tificates claiming exemption from liability for said tax as herein provided, executed as follows:

By a citizen or resident of the United States, the *bona fide* owner of the registered obligations, who may claim exemption under Paragraph C, Section 2, of the Federal Income Tax Law, or

By corporations, joint stock companies, associations or insurance companies organized in the United States, or organizations, associations, fraternities, etc., which are either taxable or exempt from taxation, as provided in Paragraph G, Subdivision A of the Act, or

By a *bona fide* resident and citizen of a foreign country, claiming exemption as such.

DESIGNATION OF FISCAL AGENCIES.

The "Debtor" may appoint paying or fiscal agents to act for it in matters pertaining to the collection of this tax, upon filing with the collector of internal revenue for its district a proper notice of the appointment of such agent or agents.

CERTIFICATES CLAIMING EXEMPTION.

If the owners of the bonds are individuals, who are citizens or residents of the United States, the aforesaid certificates shall accompany the coupons, or with respect to the interest on registered bonds shall be filed with payer of said interest, and such certificates shall describe the bonds and show the amount of coupons attached, or the amount of interest due such owners on registered bonds and the full name and address of the owners and shall also state whether they claim, or do not then claim exemption from taxation at the source provided for by Paragraph C, of Section II of the Federal Income Tax Law (\$3000 and under certain conditions \$4000) as to the income represented by such coupons or interest.

The certificates shall also show the amount, if any, of exemption claimed and the date of signature.

The form of certificate to be used for this purpose shall be substantially as follows:

FORM OF CERTIFICATE TO BE PRESENTED WITH COUPONS OR INTEREST ORDERS STATING WHETHER OR NOT EXEMPTION IS CLAIMED UNDER PARAGRAPH C, SECTION 2, OF THE FEDERAL INCOME TAX LAW.

I do solemnly declare that I,.....
a citizen or resident of the United States, and residing at.....
....., am the owner of \$...... bonds of the denominations of \$...... each, Nos.
.....
.....
of the

(give name of Debtor)

known as bonds
(describe the particular issue of bonds)
from which were detached the accompanying coupons, due
..... 191.., amounting to \$....., or upon which there
matured....., 191.., \$.....of registered interest.

I (do) now claim with respect to the income represented
(do not)
by said interest, the benefit of a deduction of \$..... allowed under Paragraph C, Section II, of the Federal Income Tax Law.

Name

Address

Date:, 191..

Whenever interest coupons accompanied by a certificate of an individual who is a citizen or resident of the United States, as aforesaid, are presented to a Debtor or its fiscal agent for payment, or whenever interest is payable to such individual on a bond registered as to both principal and interest, the Debtor or its fiscal agents shall deduct and withhold the amount of the normal tax, except to the extent that exemption is claimed in the certificate of ownership in the form herein prescribed.

Where the interest to be paid is registered, the same form of certificate shall be used where exemptions are claimed, except that it shall be filed with the Debtor at least five (5) days before the due date of such interest.

.....of the
 (give name of Debtor)

known as bonds,
 (describe particular issue of bonds)

from which were detached the accompanying coupons, due
 191..., amounting to \$....., or upon which there
 matured....., 191..., \$....., of registered in-
 terest and that under the provisions of the income tax law of
 October 3, 1913, said interest is exempt from the payment of
 taxes collectible at the source, which exemption is hereby claimed.

Name
 (official position)

of
 (name of organization)

Date, 191.... Address
 (post office)

This certificate must be signed by the full name of the organi-
 zation, stating its place of business, and by the President, Secre-
 tary, or some other principal officer of the said corporation or
 organization duly authorized to sign same, together with the date
 of execution.

HOW COLLECTED WHEN NOT ACCOMPANIED BY THE CERTIFICATE OF OWNER.

Where coupons are not accompanied by the ownership certifi-
 cates, the form to be executed by the first bank, trust company,
 banking firm, individual, or collection agency; receiving the same
 for collection or otherwise, which must accompany the coupons
 or interest orders, shall be substantially as follows:

FORM OF CERTIFICATE TO BE PRESENTED WITH COUPONS OR IN- TEREST ORDERS WHEN NOT ACCOMPANIED BY CERTIFI- CATE OF OWNERS.

I, the
 (name) (official position)
 of the, of, do solemnly declare
 (bank or collecting agency) (address)

that said has (or have) purchased or accepted for
 (collecting agency)
 collection the accompanying coupons or interest orders amount-
 ing to \$., and which represent interest matured on
 \$. of bonds of the
 (name of debtor)
 and that received said coupons or orders
 (collecting agency)
 for registered interest from of
 (name of party from whom received)
, and that no certificate of owner-
 (address of said party)
 ship accompanied said coupons or interest orders, and
 (collecting agency)
 hereby acknowledges responsibility of withholding therefrom the
 normal income tax of 1 per cent. in accordance with the regula-
 tions of the Treasury Department.

Name
 (collecting agency)

By
 (signature of officer duly au-
 thorized to sign, and his
 official position)

Address
 (give full address)

Date, 191...

This certificate shall be dated and signed by and shall state the
 address of the corporation, organization, collecting agency, or
 person, withholding the tax, with full name and address.

FINAL DISPOSITION OF CERTIFICATES.

The Debtor, or paying agents, shall deliver all certificates with
 the list of names and addresses of those for whom the Tax has
 been withheld, showing amounts, as required by law, to the
Collector of Internal Revenue for their district on or before the
 20th day of the month succeeding that in which said certificates
 were received by them.

INTEREST DUE BEFORE MARCH 1, 1913.

The tax shall not be withheld on coupons, or registered interest, maturing and payable before March 1, 1913, although presented for payment at a later date.

LICENSE REQUIRED FOR COLLECTION OF INCOME FROM FOREIGN COUNTRIES.

All persons, firms or corporations undertaking for accommodation or profit (this includes handling either by way of purchase or collection) the collection of coupons, checks, bills of exchange, etc., for or in payment of interest upon bonds issued in foreign countries and upon foreign mortgages, or like obligations, and for any dividends upon stock or interest upon obligations of foreign corporations, associations or insurance companies engaged in business in foreign countries, are required by law to obtain a license from the Commissioner of Internal Revenue and may be required to give bond in such amount and under such conditions as the Commissioner of Internal Revenue may prescribe.

BY WHOM TAX IS WITHHELD.

The licensed person, firm or corporation first receiving any such foreign items, for collection, or otherwise, shall withhold therefrom the normal tax of 1%, and will be held responsible therefor. He (the licensee) shall thereupon endorse or stamp thereon the words "Income tax withheld by" (giving his or their name, address and date), which shall be sufficient evidence to relieve subsequent holders or purchasers from the duty of also withholding the income tax.

If the size or nature of such coupons, checks, etc., makes it impracticable to make said endorsement as above, a statement identifying the item on which tax is withheld and bearing said endorsement may be attached thereto with the same effect as if the endorsement was made directly thereon.

LIST OF TAX COLLECTIONS ON FOREIGN ITEMS.

Such licensee shall obtain the names and addresses of the persons from whom such items are received and shall prepare a list

of same and file it with the Collector of Internal Revenue for his district not later than the 20th of the month next succeeding the receipt of such items. The list shall be dated and shall contain the names and addresses of the taxable persons and the amount of tax deducted, and from what source collected.

CERTIFICATES TO SECURE TAX EXEMPTION ON FOREIGN ITEMS.

In the event such coupons, checks or bills of exchange above mentioned, are presented for collection by an individual claiming the benefit of the deductions allowable under paragraph C, Section II, of the Federal income tax law, such individual shall be permitted to avail himself of the deduction claimed, upon signing on the form heretofore prescribed for coupons payable in the United States, and no tax shall be deducted for the amount of the exemption so claimed; or if such items are presented by corporations, joint stock companies or associations and insurance companies, organized in the United States, the form of certificate heretofore prescribed for such organizations shall be used, and in such instances no tax shall be deducted.

In both instances, the licensee first receiving such items shall retain such certificates for delivery with the lists aforesaid to the Collector of Internal Revenue for his district, not later than the 20th of the month next succeeding that in which said items were received, and with respect to said coupons, checks or bills of exchange, said licensee shall attach thereto (identifying the items) or endorse, or stamp thereon the words "Income tax exemption claimed through" (giving name and address of licensee) which shall be sufficient evidence to relieve subsequent holders or purchasers from the duty of also withholding the tax thereon.

The provisions for collection of the tax on foreign obligations set forth in this section of the regulations, includes the interest upon all foreign bonds, even though the coupons may be at the option of the holder, payable in the United States as well as in some foreign country.

ACCURATE RECORD TO BE KEPT BY LICENSEES.

All persons licensed shall keep their records in such manner

as to show from whom every such item has been received and such records shall be open at all times to the inspection of Internal Revenue officers.

PENALTY FOR OMISSION TO OBTAIN LICENSE.

Failure to obtain license or to comply with regulations is punishable by a *fine* not exceeding \$5,000, *or imprisonment* not exceeding *one year, or both*, in the discretion of the Court. Such licenses shall continue in force until revoked.

Application for such licenses should be made to the Collectors of Internal Revenue for the district in which they are engaged in business, and may be issued without cost to such persons as the Commissioner may approve, upon their filing with the Collector the bond herein provided for.

All persons in making application to the Collector of Internal Revenue for such licenses, shall register their names and addresses and state the nature of the business in which they are engaged. Such application for the license, accompanied by a proper surety bond, when both have been approved by the Collector will be considered a sufficient compliance with the law to enable the persons making application to do business until February 1, 1914, without incurring the penalties provided by law for failure to procure the required license.

PENALTY FOR FALSE STATEMENTS.

If any person, for the purpose of obtaining any allowance or reduction by virtue of a claim for exemption, either for himself or for any other, knowingly makes a false statement or false or fraudulent representation, he is liable under the Act to severe penalties.

PARTNERSHIPS.

Where coupons or interest orders, presented for payment, represent the interest on bonds, or other similar obligations, owned by a partnership, they shall be accompanied by a certificate of ownership, which shall be signed either in the firm's name by one member of the firm or by each individual member of the partnership, and the normal tax shall be withheld by the debtor with respect to the income represented by said interest.

Said certificate of ownership shall be in substantially the following form:

FORM OF CERTIFICATE TO BE FILLED OUT AND SIGNED BY MEMBERS OF PARTNERSHIPS.

The following certificate should be used when coupons or interest orders are presented by citizens or residents of the United States for collection of interest on bonds, or other similar obligations, owned by the partnerships of which they are members:

I,, a member of the firm or partnership of of.....and residing at
(give full address)

do solemnly declare that the said partnership is the owner of \$..... bonds of the denomination of \$..... each.
Nos.
.....
of the

(give name of debtor)

known asbonds, from which were detached the
(describe the particular issue of bonds)
accompanying interest coupons, due....., 191., amounting to \$....., or upon which there matured....., 191., \$..... of registered interest, and that the name and address of said firm or partnership, and the names of the individual members thereof, and their places of residence, are as follows:

Name of partners:

Address:

.....
.....
.....
.....

Name of partner signing:.....

Of firm of:.....

Address:

Date,, 191...

Any member of a partnership, who is entitled to a deduction (under Paragraph C, Section II, of the Income Tax law) of his *pro rata* share of the tax which may be withheld at the source on interest on bonds owned by his copartnership, as above, may claim such deduction or allowance when he shall make his indi-

vidual income tax return for the year in which said deduction at the source was made.

NON-RESIDENT FOREIGNERS OWNING INTEREST BEARING BONDS
NOT SUBJECT TO TAXATION ON INCOME FROM SUCH BONDS
IF PROPER CERTIFICATE FURNISHED.

This tax will not be deducted from the income which may be derived from interest on bonds, mortgages, equipment trusts, receivers' certificates, or other similar obligations of which the *bona fide* owners are citizens of foreign countries residing in foreign countries, *Provided*, that, when such interest coupons or, in case of wholly registered bonds, the orders for the payment of such interest, shall be accompanied by duly certified certificates hereinafter provided for to cover the cases of foreign and non-resident owners of bonds and other securities.

Unless such proof of foreign ownership is duly furnished, the normal tax of 1% shall be deducted as herein provided.

Such certificate shall be in substantially the following form:

FORM OF CERTIFICATE TO BE PRESENTED WITH COUPONS OR INTEREST ORDERS, DETACHED FROM BONDS OR OTHER OBLIGATIONS OWNED BY THOSE WHO ARE BOTH CITIZENS OR SUBJECTS, AND RESIDENTS OF FOREIGN COUNTRIES.

"I do solemnly declare that I am not a citizen or resident of the United States of America, but a subject (or citizen) ofand that I am the owner of \$.....bonds of the denominations of \$..... each, Nos.
.....
of the, known as
(give name of debtor corporation)
..... bonds,
(describe the particular issue of bonds)
from which were detached the accompanying coupons, due....
....., 191.., amounting to \$....., or upon which there matured, 191.., \$....., of registered interest, and that being a non-resident foreigner, I am exempt from the income tax imposed on such interest by the United States Government under the law enacted October

3, 1913, and that no citizen of the United States, wherever residing, or foreigner residing in the United States, or any of its possessions, has any interest in said bonds, coupons, or interest.

Signature of

Owner of Bonds
(give full name)

Date:....., 1911... Address.....
(give full post office address)

TEMPORARY PROVISION.

In view of the fact that the time required for the interpretation of the law and preparation and issuance of these regulations brings the date so near November first, and that many coupons payable upon that date are already in transit without the prescribed certificates attached, with a desire to cause as small an amount of inconvenience as possible to bondholders and general business as may be compatible with the provisions of the law and of these regulations, the following temporary provision is made:

On November 1, 1913, and for fifteen days thereafter, coupons presented to a Debtor need not be accompanied by certificates in any of the forms hereinbefore described, provided that such coupons are accompanied by a certificate substantially in the following form:

FORM OF TEMPORARY CERTIFICATES WHICH MAY BE USED ONLY PRIOR TO NOVEMBER 16, 1913, SUBJECT TO SUBSTITUTION.

I (we) hereby certify that I am (we are) lawfully entitled to present for payment the accompanying coupons or interest orders amounting to \$...... (giving amount) representing interest matured on the following bonds..... (giving name of debtor and designating the description, style, and numbers of the bonds); that said coupons or interest orders came into my (our) possession unaccompanied by a certificate of ownership of said bonds, in any of the forms required by the regulations of the United States Treasury Department; and that the name and address of the owner of such bonds are as

follows:..... (give name and address of owner; if impossible to do this, so state).

Name of person, firm, or corporation presenting coupons:

.....

Address.....

On or before February 1, 1914, certificates of ownership of any of the bonds from which were detached coupons mentioned in such temporary certificate, in any of the forms above set forth, may be delivered to the Debtor; and said Debtor may thereupon return any sum withheld to which the owner of such bonds may be entitled under the law and regulations, upon the facts disclosed by such ownership certificates. Any temporary certificates relating to bonds for which certificates of ownership shall not have been delivered to the debtor shall, on or before March 1, 1914, be delivered to the Collector of Internal Revenue.

All forms of certificates herein provided for shall be 8 inches wide and 3½ inches from top to bottom, and printed on paper corresponding in weight and texture to glazed bond paper 17 by 28, about 26 pounds to the ream of 500 sheets, or white writing paper 21 by 32, about 32 pounds to the ream of 500 sheets, and the person or corporation first receiving coupons for collection shall write or stamp his or its name and address and date on the back of said certificates.

W. H. OSBORN,

Commissioner of Internal Revenue.

Approved October 25, 1913.

W. G. McADOO,

Secretary of the Treasury.

Regulations (Part 2) Regarding the Deduction of the Income Tax at the Source on Income **other than** Interest Maturing on Bonds, Notes, and Other Similar Obligations of Corporations, Joint-Stock Companies or Associations, and Insurance Companies. Under the Provisions of Section 2 of the Federal Income-Tax Law of October 3, 1913.

The "source" in these regulations shall be construed as referring to the place where the income originates.

BY WHOM THE NORMAL TAX SHALL BE DEDUCTED AND WITH-
HELD.

All persons, firms, etc., mentioned in paragraph E of this law, hereinafter referred to either as "Debtors" or "withholding agents," namely:

Copartnerships, companies, corporations, joint-stock companies, or associations, insurance companies, in whatever capacity acting, including lessees, mortgagors of real or personal property, trustees acting in any trust capacity, executors, administrators, agents, receivers, conservators, employers and all officers and employees of the United States having the control, receipt, custody, disposal, or payment of interest (except income derived from interest upon bonds and mortgages or deeds of trust, or other similar obligations of corporations upon which the normal tax of 1 per cent has otherwise been withheld at the source, as provided by regulations), rents, salaries, wages, royalties, taxable annuities, emoluments, or other fixed or determinable gains, profits, and income of another person, exceeding \$3,000 for any taxable year, except as hereinafter provided, shall deduct and withhold from such annual gains, profits, and income such sum as will be sufficient to pay the normal tax of 1 per cent imposed thereon by section 2 of this act, and shall make lawful return and pay the taxes so withheld to the Collector of Internal Revenue for the district in which said withholding agent resides or has his, her, or its principal place of business.

The normal tax of 1 per cent shall be thus withheld from all income derived from fixed annual periodical rent of realty or personalty, interest (except as herein otherwise provided), salaries, royalties, taxable annuities, and other fixed annual periodical income exceeding \$3,000.

ITEMS UPON WHICH TAX IS NOT TO BE WITHHELD AT THE
SOURCE.

(1) Dividends on capital stock, or from the net earnings of corporations and joint-stock companies or associations and insurance companies subject to like tax, when said withholding agents are required to make and render a return in behalf of

another, as provided herein, to the collector of his, her, or its district.

(2) Proceeds of life insurance policies paid upon the death of the person insured, or payments made by or credited to the insured, on life insurance, endowment, or annuity contracts, upon the return thereof to the insured at the maturity of the term mentioned in the contract, or upon the surrender of contract—all of which shall not be included as income under this law—but this shall not be construed to exempt said insurance companies from withholding and paying the normal tax of 1 per cent on interest income paid by insurance companies to beneficiaries of policies when said interest exceeds \$3,000.

(3) Income of an individual which is *not* fixed or certain, and not payable at stated periods, or is indefinite or irregular as to amount or time of accrual, shall not be withheld at the source, but shall be listed in the annual return, and the tax shall be paid thereon by the individual.

Income derived from the following professions and vocations come under this head: Farmers, merchants, agents compensated on the commission basis, lawyers, doctors, authors, inventors, and other professional persons whose income is irregular and indefinite.

Such persons shall make personal return of all their income, provided their total income from all sources exceeds \$3,000. For example: When a lawyer receives a retainer of \$5,000 as a special fee, a deduction therefrom shall not be made by the payer, but when a lawyer receives a retainer of \$5,000 *per annum*, and the exemption claimed is \$3,000, \$2,000 of such income would be taxed and the tax retained at the source, or if his exemption claimed should be \$4,000, \$1,000 of such income would be taxed and the tax thereon withheld at the source.

(4) The value of property acquired by gift, bequest, devise, or descent.

(5) Interest upon the obligations of a State or any political subdivision thereof, and upon the obligations of the United States or its possessions; also the compensation of the present President of the United States during the term for which he has been elected, and of the judges of the Supreme and inferior courts

of the United States now in office, and the compensation of all officers and employees of a State or any political subdivision thereof paid by a State or any political subdivision thereof, except when such compensation is paid by the United States Government.

This exempts from the income tax all salaries paid to an individual by a State or any political subdivision thereof, including the salaries of State, county, and municipal officers, the salaries of public-school teachers, and special compensation paid by States or subdivisions thereof for professional services, whether in the shape of salaries or special fees.

NORMAL TAX ON THE SAME INCOME IS TO BE WITHHELD BUT
ONCE.

The normal tax of 1 per cent shall be deducted and withheld *at the source*, and payment made to the Collector of Internal Revenue as provided in the law, by the Debtor or his, her, or its duly appointed agent authorized to make such deduction and payment.

No other person, firm, or organization, in whatever capacity acting, having the receipt, custody, or disposal of any income, as herein provided, shall be required to again deduct and withhold the normal tax of 1 per cent thereon: *Provided*, That any person, firm, or organization in whatever capacity acting, other than the Debtor who has withheld said tax, shall file with the Collector of Internal Revenue for his, her, or its district, a certificate in substantially the following form:

Form No. 1006.

*Form of Certificate to be filed by persons, firms, or organizations required to withhold and pay said tax **other than** the Debtor at the source.*

To: , Collector of Internal Revenue,
(Name of collector of internal revenue.)

.....
(Give address and designate district.)

I, ,
(Name.) (Official title, if any.)

of the,
 (Person, firm, or organization.) (Capacity in which acting.)
 of, do solemnly declare that I (we)
 (Post-office address.)
 received of \$....., same being
 (Name from whom received.)
 income derived from
 (State source, whether rents, salary, or other sources.)
 belonging to
 (Give name of person to whom income is due.) (Address.)
 and that the tax thereon amounting to \$....., to which said
 person is subject, has been withheld at the source of said in-
 come by

 (Name of person withholding.) (Post-office address.)
 (Signed).....
 Address.....
 (Street Number.)

 (Street and number.)
 Date:, 191...

EXEMPTIONS WHICH MAY BE CLAIMED BY INDIVIDUALS.

Any person subject to the normal tax of 1 per cent, the amount of which is withheld or is to be withheld at the source, wishing to avail himself or herself of the exemption provided in paragraph C, section 2, of this act (\$3,000 or \$4,000, as the case may be) must file with the withholding agent, not later than 30 days prior to the day on which the return on his income is due, a notice in the following form:

Form No. 1007.

*Form for claiming exemption at the source as provided in paragraph C, section 2, of the Federal income-tax law of
 October 3, 1913.*

To.....

(Give name of withholding agent.)

.....

(Post-office address.)

I hereby serve you with notice that Iam
single—married and living with my wife—husband, and now
(Strike out so as to show status correctly.)

claim the benefit of the exemption of \$....., as allowed in
paragraphs C and D of section 2 of the Federal income-tax law
of October 3, 1913 (my total exemption under said paragraphs
being \$.....).

Signed:

Address:

(Street and number.)

Date:, 191...

.....

(City and State.)

BY WHOM EXEMPTIONS UNDER PARAGRAPH C, SECTION 2, OF
THIS ACT, MAY BE CLAIMED.

Every single person, or every married person not living with
wife or husband, who is liable for the normal income tax under
this law may claim a total deduction of \$3,000 from net income,
on which deduction he or she is exempt from said normal tax
of 1 per cent.

Where a husband and wife live together and only one of them
has an annual income liable for the normal tax of 1 per cent,
then the husband or wife who has the income shall make the re-
turn and pay the said tax and may claim and deduct an exemp-
tion of \$4,000.

But if a husband and wife live together and each has an an-
nual income liable for the normal tax of 1 per cent, then in that
event they shall make a separate return, and the \$4,000 exemp-
tion allowed to a husband and a wife when living together may
be claimed and deducted by *either* the husband or wife, as they
may mutually agree (but not by both separately), or the said
exemption shall be *pro-rated* between them in proportion to their
net income.

AMOUNT OF EXEMPTION ALLOWABLE **for 1913** UNDER PARA-
GRAPH C, SECTION 2, OF THE FEDERAL INCOME-TAX LAW.

For the present year of 1913 (from March 1 to December
31) exemptions allowed under paragraph C of this law will be

five-sixths of those of the calendar year, as specified in paragraph D, namely, \$2,500 if the exemption is \$3,000, or \$3,333.33 if the exemption is \$4,000, as the case may be.

WHEN AND ON WHAT AMOUNT THE NORMAL TAX OF 1 PER
CENT SHALL BE WITHHELD.

A withholding agent who pays monthly or periodically during the year interest (except income derived from interest upon bonds and mortgages, or deeds of trust, or other similar obligations of corporations, etc., upon which the normal tax of 1 per cent has been withheld at the source, as provided by regulations), rents, salaries, wages, etc., shall not withhold the said tax until such time as the rents, salaries, wages, etc., shall have reached an aggregate amount in excess of \$3,000.

When such amount has been reached he, she, or it shall withhold the tax on the whole \$3,000 and excess thereof, *unless* the person to whom the income is due files with him, her, or it the notice above, according to form No. 1007, provided for, claiming exemption under paragraph C of section 2 of this act, in which case the withholding agent shall withhold only the tax on the income in excess of said exemption of \$3,000 or \$4,000 (as the case may be), and the tax so withheld shall be returned and paid by the withholding agent as required by law.

DEDUCTIONS TO BE MADE IN COMPUTING NET INCOME.

Any person subject to the normal income tax of 1 per cent, a part of whose income is withheld or is to be withheld at the source, who may wish to avail himself of the deductions authorized in subsection B, section 2, of this act, may file either with the Collector of Internal Revenue for the district in which return is made for him, or with the withholding agent, not later than 30 days prior to March 1, a return and notice in substantially the following form:

Form No. 1008.

UNITED STATES INTERNAL REVENUE

Form of return for making application for deductions, as provided by paragraphs B and E, section 2 of the Federal income-tax law of October 3, 1913.

To

(Name of withholding agent.)

.....

(Street and number.)

.....

(Town or city.) (State.)

I hereby solemnly declare that the following is a true and correct return of my gains, profits, and income from all other sources for the calendar year ended December 31, 191— (for the year 1913 the period to be covered is only for 10 months, from March 1 to December 31), and a true and correct return of deductions asked for under paragraph B of section 2 of the act of October 3, 1913, and I hereby claim deductions as shown below:

Amount of gains, profits, interest, rents, royalties,
profits from co-partnerships, and income from all
other sources whatsoever..... \$.....

DEDUCTIONS.

1. The amount of necessary expenses actually paid in carrying on business, except business expenses of partnerships, and not including personal, living, or family expenses \$.....
2. All interest paid within the year on personal indebtedness of taxpayer..... \$.....
3. All national, State, county, school, and municipal taxes paid within the year (not including those assessed against local benefits) \$.....
4. Losses actually sustained during the year incurred in trade or arising from fires,

- storms, or shipwreck and not compensated
for by insurance or otherwise..... \$.
5. Debts due which have been actually ascer-
tained to be worthless and charged off
within the year..... \$.
6. Amount representing a reasonable allowance
for the exhaustion, wear, and tear of
property arising out of its use or em-
ployment in the business, not to exceed
in the case of mines 5 per cent of the
gross value of the output for the year
for which the computation is made, but
not including the expense of restoring
property or making good the exhaustion
thereof, for which an allowance is or has
been made..... \$.
7. The amount received as dividends upon the
stock or from the net earnings of any cor-
poration, joint-stock company, association,
or insurance company which is taxable
upon its net income..... \$.
8. The amount of income, the tax upon which
has been paid or withheld for payment at
the source of income..... \$.
- \$.
- Total deductions \$.
- Date....., 191.. (Signed).....
Address.....
.....

NOTE.—Money or other things of value, disposed of by gift, donation, or endowment, shall not be deducted or be made the basis for a deduction from the income of persons or corporations in their tax returns under the income-tax law.

Money or other things of value, disposed of by gift, donation, or endowment, shall not be deducted or be made the basis for a deduction from the income of persons or corporations in their tax returns under the income-tax law.

AMOUNT OF DEDUCTION ALLOWABLE **for 1913** ACCORDING TO
PARAGRAPHS B AND D OF SECTION 2 OF THIS ACT.

For the present year of 1913 (from March 1 to December 31) the deductions allowed under paragraph B shall be five-sixths of the deductions allowable for a calendar year, as specified in paragraph D of this law.

AMOUNT OF TAX TO BE WITHHELD **for 1913**, AND WHEN WITH-
HELD.

The withholding agent is not required to deduct and withhold prior to November 1, 1913, the normal tax of 1 per cent for which an individual is liable.

Whenever the total amount of income paid to any person by a withholding agent *after* October 31, 1913, shall be in excess of \$3,000, then, in that event, the withholding agent shall be liable for and shall deduct and withhold the tax on such amount, unless such person shall file a statement according to Form No. 1007 claiming an exemption as allowed in paragraph D of this act, the amount of exemption allowable being \$2,500 if the annual exemption is \$3,000, or \$3,333.33 if the annual exemption is \$4,000, as the case may be.

PERSONS PHYSICALLY UNABLE TO MAKE RETURNS.

If a person subject to said tax part of whose income is withheld or is to be withheld is a minor or insane person, or is absent from the United States, or unable to make the application or return because of serious illness, the application or return may be made by the withholding agent, who shall make the following oath under the penalties of this act:

Form 1009.

Form of oath required of a withholding agent when acting for another in filing return and making application for deductions allowable under paragraph B, as provided in paragraph E, section 2, of the Federal income-tax law of October 3, 1913.

I hereby swear (or affirm) that I have sufficient knowledge of the affairs and property of
(Naming person and address for whom acting.)

to enable me to make a full and complete return for, and
 (Naming person.)
 that the return of income and application for deductions made by
 me are true and accurate.

(Signed)

Address

(Street and number.)

.

(City and State.)

Date:, 191-.

Signed and sworn to before, 191-.

.

PENALTIES.

Subsection F of section 2 of the income-tax law provides *inter alia* as follows:

Any person or any officer of any corporation required by law to make, render, sign, or verify any return who makes any false or fraudulent return or statement with intent to defeat or evade the assessment required to be made shall be guilty of a misdemeanor and shall be fined not exceeding \$2,000 or be imprisoned not exceeding one year, or both, in the discretion of the court, with the costs of prosecution.

W. H. OSBORN,

Commissioner of Internal Revenue.

Approved October 31, 1913.

W. G. McADOO,

Secretary of the Treasury.